



January 21, 2014

Item No. 4A

AUTHORIZATION TO ESTABLISH AN AUDIT COMMITTEE AND ADOPT THE AUDIT COMMITTEE CHARTER

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners adopt the attached Resolution entitled "Authorization to Establish an Audit Committee and Adopt the Audit Committee Charter".

EXPLANATION

Section 6 of the Housing Authorities Act, 310 ILCS 10/6, provides, *inter alia*, as follows:

The commissioners shall, from time to time, select and appoint a chief executive officer and officers and employees, including engineering, architectural and legal assistants, as they may require for the performance of their duties, and may prescribe the duties and compensation of each officer and employee or expressly delegate that authority to the chief executive officer;

The proposed Resolution, pursuant to Section 6 and various other provisions in the Housing Authorities Act, delegates certain authority and other ministerial functions regarding audit matters to a newly established Audit Committee. The Resolution specifically adopts the attached CHA Audit Committee Charter and generally:

- establishes a three (3) person Audit Committee comprised of two (2) members from the Board of Commissioners and one (1) member from the general community, who shall each be appointed by the Chairperson of the Board of Commissioners; and delegates to that Committee the authority to review matters pertaining to audit functions and related ministerial matters.
- requires the Audit Committee to 1) make periodic reports to the Board, and 2) make its recommendations to the Board at designated intervals and scheduled Board meetings, including the submission of a resolution for the Board's consideration approving or disapproving the Audit Committee's recommendations.
- requires the Board to take action approving or disapproving all or a portion of the Audit Committee resolution.
- provides that the Board may revoke in whole or in part any specific or implied delegation.

RESOLUTION NO. 2014-CHA-5

**A RESOLUTION ESTABLISHING AN AUDIT COMMITTEE AND ADOPTING
THE AUDIT COMMITTEE CHARTER**

WHEREAS, the Chicago Housing Authority (the “**Authority**”) has been created by, and exists under, the Housing Authorities Act, 310 ILCS 10/1 *et seq.*, as amended (the “**Act**”); and

WHEREAS, pursuant to the Act, the management and control of the Authority is vested in ten commissioners (the “**Board**”); and

WHEREAS, Section 6 of the Act, 310 ILCS 10/6, provides, *inter alia*, as follows:

The commissioners shall, from time to time, select and appoint a chief executive officer and officers and employees, including engineering, architectural and legal assistants, as they may require for the performance of their duties, and may prescribe the duties and compensation of each officer and employee or expressly delegate that authority to the chief executive officer;

and

WHEREAS, Section 8 of the Act provides that the Authority shall have “all the powers necessary or convenient to carry out and effectuate the purposes and provisions” of the Act, 310 ILCS 10/8; and

WHEREAS, Section 8.5 of the Act provides that the Authority has the power to “make and from time to time amend and repeal by-laws, rules and regulations” not inconsistent with the Act, in order “to carry into effect the powers and purposes of the Authority”;

WHEREAS, Section 1 of the By-Laws of the Authority provides, *inter alia*, that:

The commissioners may by resolution make any delegation of discretionary powers or ministerial duties, to be exercised in accordance with the standards, limitations, and controls which shall be set up in such resolution and which shall not be inconsistent with the “Act in Relation to Housing Authorities” to any committee or committees of one or more chosen from among their number. Any action taken in the name of the Authority by a person or persons to whom such powers or duties have been delegated shall be the action of the Authority and binding upon it, provided such action is pursuant to and within the scope of the delegation resolution, and consistent with “An Act in Relation to Housing Authorities.”

and

WHEREAS, the Board hereby finds and determines that it is in the best interests of the Authority to adopt that certain Audit Committee Charter, which is attached and incorporated into this Board Letter and Board Resolution; and

WHEREAS, the Board hereby finds and determines that it is necessary and in the best interests of the Authority to establish an Audit Committee pursuant to and consistent with its adoption of the Audit Committee Charter, and to delegate those authorities and ministerial functions to the Audit Committee, the Board Chairperson and such other designations as set forth therein, subject to final action of the Board as described herein

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Chicago Housing Authority, Cook County, Illinois, as follows:

Section 1. Incorporation of Recitals.

The recitals set forth above are hereby found to be true and correct and are incorporated in their entirety as if fully set forth in this Section 1.

Section 2. Establishment and Composition of Audit Committee and Adoption of the Audit Committee Charter.

In accordance with the Audit Committee Charter, which is attached to this Resolution and hereby adopted by the Board of Commissioners, there is hereby established an Audit Committee which shall be comprised of three (3) members, including two (2) members selected from the Board of Commissioners and one (1) member selected from the general community (the “**Audit Committee**”, or “**Committee**”), all of whom must be independent of Chicago Housing Authority operations. The outside member shall not be a member of, and shall not have any of the rights or privileges of, a Commissioner of the Chicago Housing Authority, but must comply with the provisions of Section 5 of the Housing Authority Act, 310 ILCS 10/5, to the same extent as a Commissioner. The Chairperson of the Board of Commissioners will appoint the Audit Committee members, subject in the case of the outside member to confirmation by the Board of Commissioners, and will select one of the Commissioner members of the Audit Committee to serve as the Committee chair.

Section 3. Independent Auditor and Financial Statements.

As to Independent Auditor functions and Financial Statements, the Audit Committee shall:

- In compliance with applicable procurement policies and procedures, be responsible for the appointment, retention and compensation of the independent auditors of the Chicago Housing Authority.
- Be responsible for overseeing the independent auditors of the Chicago Housing Authority, including resolving disagreements between management and the independent auditors regarding financial reporting.
- In compliance with applicable procurement policies and procedures, pre-approve all audit and non-audit services provided by the independent auditor and, if the audit committee desires, establish pre-approval policies and

procedures under which particular services will be deemed to have been approved. Non-audit services include tasks that directly support the Chicago Housing Authority's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Chicago Housing Authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

- Review and approve the Chicago Housing Authority's audited financial statements, associated management letter, report on internal controls and required and other communications with the independent auditors.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and their impact on the financial statements.
- Meet with the independent auditors and management as necessary to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in the independent auditors' findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

Section 4. Internal Auditors.

As to Internal Auditor functions, the Audit Committee shall:

- Ensure that the annual budget of the Chicago Housing Authority provides sufficient financial and employee resources for the internal auditors to perform their duties.
- Review with management, the Director, Audit Management and Compliance, and other relevant personnel the charter, activities, staffing and organizational structure of the internal audit function.
- Ensure that the internal audit function is organizationally independent from Chicago Housing Authority operations.
- Review and approve the Internal Audit charter.
- Review the reports of the internal auditors, results of internal audits and approve procedures for implementing accepted recommendations of the internal auditors
- Review and approve the annual internal audit plan.

Section 5. Inspector General.

As to Inspector General functions, the Audit Committee shall:

- Ensure that the annual budget of the Chicago Housing Authority provides sufficient financial and employee resources for the Office of the Inspector General to perform its duties.
- Review all reports concerning results of investigations undertaken by the Office of Inspector General.
- Review quarterly reports to be provided by Office of Inspector General no later than the fifteenth day of January, April, July, and October of each year.
- Review the annual report to be provided by Office of Inspector General no later than the first day of February of each year.
- Serve as a point of contact with the Office of the Inspector General.

Section 6. Internal Controls, Compliance and Risk Assessment

As to Internal Control, Compliance and Risk Assessment functions, the Audit Committee shall:

- Review management's assessment of the effectiveness of the Chicago Housing Authority's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.
- Meet with the independent auditors and management to discuss any major issues as to the adequacy of the Chicago Housing Authority's internal controls and the resolution of any identified material weaknesses or significant deficiencies.
- Review with the Chicago Housing Authority's general counsel any legal or regulatory matters or inquiries that could have a significant impact on the Chicago Housing Authority's financial statements or compliance with applicable laws and policies, including implications as to the adequacy of the Chicago Housing Authority's internal controls.
- Review and approve the annual risk assessment conducted by the internal auditors.

Section 7. Other Responsibilities of the Audit Committee.

As to other functions and responsibilities, the Audit Committee shall:

- Report its activities to the full Board of Commissioners on a regular basis and annually present to the Board of Commissioners a summary report of how the audit committee has discharged its duties and met its responsibilities as outlined in this charter.
- Obtain all information and training necessary to enhance the committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.

- Review the committee's charter at least annually and recommend to the Board of Commissioners of the Chicago Housing Authority any proposed changes, including changes reflecting developments in applicable laws, regulations and accounting and auditing standards.
- Conduct a bi-annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.
- Review and approve any permitted related party transactions (as defined for purposes of Government Accounting Standards Board Statement No. 56) involving the Chicago Housing Authority.

Section 8. Severability.

In the event that any provision, clause, sentence, section or other part of this Resolution is held to be invalid, unconstitutional, void or unenforceable, the remaining provisions of this Resolution shall remain in full force and effect, it being the intent of the Board in adopting this Resolution that no portion hereof or provision contained herein shall become inoperative or fail by reason of unconstitutionality or invalidity of any other portion or provision.

Section 9. Effective Date.

This Resolution shall be in full force and effect after its passage as provided by law, and any other resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 10. Modification(s) to Other Resolutions.

This Resolution shall have the specific and limited effect of amending that certain prior Resolution 2008-CHA-52 in part, solely to the extent that the Finance & Audit Committee established thereunder shall hereafter be referred to as the Finance Committee. Notwithstanding the foregoing amendment to Resolution 2008-CHA-52, no other modification, limitation to the Finance Committee delegation is intended, implied or effective as a result of this Resolution.



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